



Maricopa County

Internal Audit Department

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To: Andrew Kunasek, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

From: Ross L. Tate, County Auditor *B*

Subject: Maricopa County Attorney's Office - Expenditures Review

Date: July 28, 2011

We have completed our fiscal year (FY) 2011 review of the Maricopa County Attorney's Office (MCAO). This audit focused on MCAO expenditures and was performed in accordance with the Board-approved audit plan. Our findings appear below.

Summary of Results

For 20 expenditures totaling \$173,000 (7% of the 294 transactions reviewed), expenditure documentation did not contain sufficient information to determine if payments to contract counsel were accurate and reasonable. In addition, 8 expenditures (3%), lacked evidence of proper approval prior to payment, and 1 duplicate payment for \$579 was identified. MCAO should (1) ensure that all expenditures are for a valid public purpose and include sufficient supporting documentation, (2) establish and enforce written policies and procedures requiring that invoices be properly reviewed and approved prior to payment, and (3) obtain reimbursement for the \$579 overpayment.

Scope and Methodology

Our audit objective was to determine if expenditures were appropriate, adequately documented, and in compliance with County policies and applicable laws, rules, and regulations. To achieve our objective, we reviewed a sample of expenditures from the following funds:

- Check Enforcement Fund #266
- Fill the Gap Fund #221
- General Fund #100
- Grant Fund #219
- Special Revenue Fund #220

In order to focus audit resources on higher risk transactions, select transaction types were excluded from our scope of work (e.g., payroll, building and equipment leases,

postage, etc.). We judgmentally selected 294 expenditures totaling \$2.3 million, representing 2% by number and 11% by dollar amount of the remaining population of 17,353 transactions totaling \$20.1 million. Our sample included 153 transactions from the MCAO Administrative Division and 141 from the Civil Division, and covered the period of July 2008 – December 2010.

We interviewed key personnel, reviewed County and MCAO policies and procedures, and examined financial records and supporting documentation to determine if adequate documentation and controls existed to ensure expenditures were appropriate. In addition, we utilized computer-aided audit techniques (CAATs) to identify duplicate payments, improper (non-payroll) payments to employees, and other anomalies.

The RICO and Victim Compensation funds were outside the scope of our review based on recent audits conducted by the Arizona Office of the Auditor General and Internal Audit, respectively.

Criteria

The State of Arizona Constitution, Article 9, Section 7, Note 5, requires that public funds be expended only for valid public purposes. To reduce the risks of fraud, waste, and abuse, best practices recommend financial controls that should be implemented and followed within organizations. Such controls require that expenditures be supported with adequate documentation, secondary review and approval processes be enforced, and justifications for unusual or questionable items be documented.

Condition

We examined selected expenditures for evidence of (1) proper supporting documentation, (2) invoice review, (3) compliance with vendor contract terms and conditions, and (4) compliance with written policies and procedures for specialized expenditures, such as petty cash and victim/witness per diem worksheets.

1. Contract Counsel Invoices Did Not Provide Sufficient Information to Determine if Charges Were Accurate and Reasonable

For 20 of 294 (7%) expenditures reviewed, the supporting documentation did not contain sufficient information to determine if contract counsel invoices were correct and appropriate. These expenditures totaled \$172,956 and are summarized below.

- 14 expenditures totaling \$151,889 did not include the level of detail needed (and required by contract) to validate the propriety of the amount paid for outside legal services (e.g., attorney rates, experience level, etc.).

- 5 expenditures totaling \$20,867 were for legal fees paid to a third party to represent an outside contractor in a case brought by the State Bar of Arizona. The supporting documentation contained no explanation or justification for the payment.
- 1 expenditure for \$200 was for dog boarding fees on behalf of an expert witness. The supporting documentation contained no explanation or justification for the payment.

In addition, we identified one duplicate payment for \$579 for victim medical examinations.

Recommendations: MCAO management should:

- A. Ensure that all expenditures include sufficient supporting documentation to evidence a valid public purpose.
- B. Obtain reimbursement for the \$579 overpayment.

2. Expenditures Lacked Evidence of Approval Prior to Payment

For 8 of 294 (3%) expenditures reviewed, MCAO did not provide evidence that payments were approved by an authorized signer prior to payment. Our sample included 153 transactions from the MCAO Administrative Division and 141 from the Civil Division. Three percent of Administrative Division and 3% of Civil Division transactions had no evidence of approval prior to payment.

Recommendation: MCAO management should establish and enforce written policies and procedures requiring that expenditures be properly reviewed and approved by an authorized signer prior to payment. This process should be documented.

3. No Improper Vendor Payments to Employees Were Identified

The risk of fraud and abuse is increased when employees are also vendors that sell services or products to their employer. In order to identify vendor payments to employees, we compared employee social security numbers to tax identification numbers in the master vendor file for all 1,801 individuals employed by MCAO during the audit period.

We identified 68 current or former MCAO employees who were registered vendors. However, there were no vendor payments made to these individuals during the term of their employment with MCAO.

Recommendation: None, for information only.

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require the following:

- An independent audit staff and audit organization
- An objective audit staff performing the work
- A competent staff, current with continuing education requirements
- A system of quality control procedures
- Sufficient and appropriate evidence based on audit objectives

We appreciate the cooperation provided by MCAO during this review. If you have any questions, please contact Richard Chard, Deputy County Auditor, at 602-506-7539.

C: Bill Montgomery, County Attorney
Mark Faull, Chief Deputy County Attorney
Bill McDonald, Division Chief of Administration
Catherine Martin, Bureau Chief of Administration



Maricopa County Attorney

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MEMORANDUM

TO: Ross L. Tate, County Auditor
FROM: Bill Montgomery, Maricopa County Attorney *Bill Montgomery*
DATE: July 27, 2011
RE: MCAO Response to Expense Review

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- 1. Purpose.** The purpose of this memorandum is to provide a written response to the recommendations from the internal audit of the Maricopa County Attorney's Office's ("MCAO") Expense Review.
 - 2. Discussion.** MCAO performed extremely well on the Expense Review. The auditors found no issues with 93% of MCAO expenses reviewed, and minor documentation issues with 7% of expenses reviewed. The auditors identified three areas of improvement and made recommendations for improving those areas. MCAO will adopt and implement those recommendations immediately. I commend the MCAO Administrative Division ("ITD") for the excellent performance on the expense review.
 - 3. Point of Contact.** The point of contact for this memorandum is the Chief Deputy, Mark Faull.

AUDIT RESPONSE
MARICOPA COUNTY ATTORNEY'S OFFICE
JULY 27, 2011

Issue #1:

Contract counsel invoices did not provide sufficient information to determine if charges were accurate and reasonable.

Recommendation A: Ensure that all expenditures include sufficient supporting documentation to evidence a valid public purpose.

Response: Concur-- in process. MCAO is ensuring that all expenditures include sufficient supporting documentation evidencing the validity of the public purpose including explanatory memoranda and billing rate information.

Target Completion Date: 9/30/2011

Benefits/Costs: Increased control over accuracy and accountability.

Recommendation B: Obtain reimbursement for the \$579 overpayment.

Response: Concur-- in process. MCAO has contacted the vendor and the next month's invoice will include a credit for the overpayment.

Target Completion Date: 8/31/2011

Benefits/Costs: Recovery of payment made in error.

Issue #2:

Expenditures lacked evidence of approval prior to payment.

Recommendation: MCAO management should establish and enforce written policies and procedures requiring that expenditures be properly reviewed and approved by an authorized signer prior to payment. This process should be documented.

Response: Concur-- in process. MCAO has written policies and procedures granting authority to approve expenditures. These policies are in the process of being updated and will include primary and secondary signers. Furthermore, only expenditures with the appropriate approval will be processed and paid.

Target Completion Date: 8/31/2011

Benefits/Costs: Increased control over accuracy and accountability.

Issue #3:

No improper vendor payments to employees were identified.

Recommendation: None. For information only.

Approved By:

Bill Hunt
County Attorney (or designee)

7-27-11
Date